Top quartile commingled special equity funds

3-month returns

	%
Morgan Guaranty (Supp.), N.Y.	13.5
First of Minneapolis (20), Minn.	11.8
First Trust Co. Minn.	11.1
First of Maryland	11.1
Manufacturers Hanover, N.Y.	10.8
LaSalle Nat'l (Small cap.), Ill.	10.6
Chemical Bank (Value), N.Y.	10.4
First Alabama, Mobile	10.1
Associated Bank (Worldwide), Wis.	9.4
EF Hutton Trust (5), Del.	9.0
Marsh & McLennan (Putnam)	8.9
Provident Nat'l, Pa.	8.3
Connecticut Nat'l Bank (Supp.)	8.0
Manufacturers Hanover (Uncom.)	7.9
General American (II), Mo.	7.9
Prudential (MIDCO), N.J.	7.8
EF Hutton Trust (Growth B), Del.	7.8
Wachovia Bank (Div. cap.), N.C.	7.8
Metropolitan Life (SA 43), N.Y.	7.7
Connecticut Bank & Trust (Supp.)	7.6
Harris Trust (Spec. cap.), Ill.	7.5
Bank of America (Emp. ben.)	7.4
Standard & Poor's 500	**6.6**

1-year returns

	%
First RepublicBank, Texas	74.5
California First Bank (Supp.)	53.1
Marsh & McLennan (Putnam)	52.6
First Alabama, Mobile	52.5
Morgan Guaranty (Supp.), N.Y.	52.4
Citicorp (Resources), N.Y.	52.2
Irving Trust (II), N.Y.	48.7
Bank of America (Emp. ben.)	47.9
Manufacturers Hanover (Supp.)	45.0
First of Minneapolis (20), Minn.	44.7
Wachovia Bank (Div. cap.), N.C.	44.7
Chemical Bank (Value), N.Y.	44.5
Northern Trust, Ill.	44.3
First Trust Co., Minn.	43.9
Standard & Poor's 500	**43.5**
Society Nat'l (Ohio reg.), Ohio	43.4
Metropolitan Life (SA 43), N.Y.	43.1
General American (II), Mo.	42.4
Texas Commerce	41.6
Connecticut Nat'l Bank (Supp.)	41.4
Associated Bank (Worldwide)	41.2
Trust Co. of the West	40.9
Harris Trust (Spec. cap.), Ill.	40.9

3-year returns

	%
EF Hutton Trust (Growth B), Del.	51.5
EF Hutton Trust (Emerg. B), Del.	48.8
First RepublicBank, Texas	42.3
First of Neenah (Reg.), Wis.	35.0
Trust Co. of the West	34.6
Fidelity Mgmt. Trust (Agg.), Mass.	34.4
Chase Manhattan (Inter. cap.)	33.1
Manufacturers Hanover (Supp.)	32.3
First of Minneapolis (20), Minn.	30.3
Citicorp (Spec. sit.), N.Y.	29.7
Standard & Poor's 500	**29.4**
Bankers Trust (Supp.), N.Y.	28.7
First Trust Co., Minn.	28.5
Northern Trust, Ill.	28.5
Old Second Nat'l (HR 10), Ill.	28.2
First of Neenah (Inc.), Wis.	27.9
Citicorp (Emerg. health), N.Y.	27.8
Bank of America (Emp. ben.)	27.8
Society Nat'l (Ohio reg.), Ohio	27.7
EF Hutton Trust (5), Del.	27.6

5-year returns

	%
Fidelity Mgmt. Trust (Agg.), Mass.	36.3
California First Bank (Supp.)	30.0
Chase Manhattan (Inter. cap.)	30.0
Citicorp, (Spec. sit.), N.Y.	28.7
Connecticut Nat'l Bank (Supp.)	28.2
Citicorp (R.E.), N.Y.	28.2
First Trust Co., Minn.	28.1
Equitable Bank, Md.	27.0
Manufacturers Hanover (Uncom.)	27.0
Standard & Poor's 500	**26.8**
Manufacturers Hanover (Supp.)	26.7
Society Nat'l (Ohio reg.), Ohio	26.7
Provident Nat'l, Pa.	26.5
Bank of America (Emp. ben.)	26.3
First of Maryland	26.1

10-year returns

	%
California First Bank (Supp.)	28.6
Bankers Trust (Supp.), N.Y.	25.7
First of Maryland	23.8
Manufacturers Hanover (Supp.)	23.4
Chase Manhattan (Inter cap.)	23.3
Bank of America (Emp. ben.)	23.2
Equitable Bank, Md.	22.9
Connecticut Bank & Trust (Emp.)	22.8
Citicorp (Spec. sit.), N.Y.	22.6
Standard & Poor's 500	**18.3**

Commingled international

3-month returns

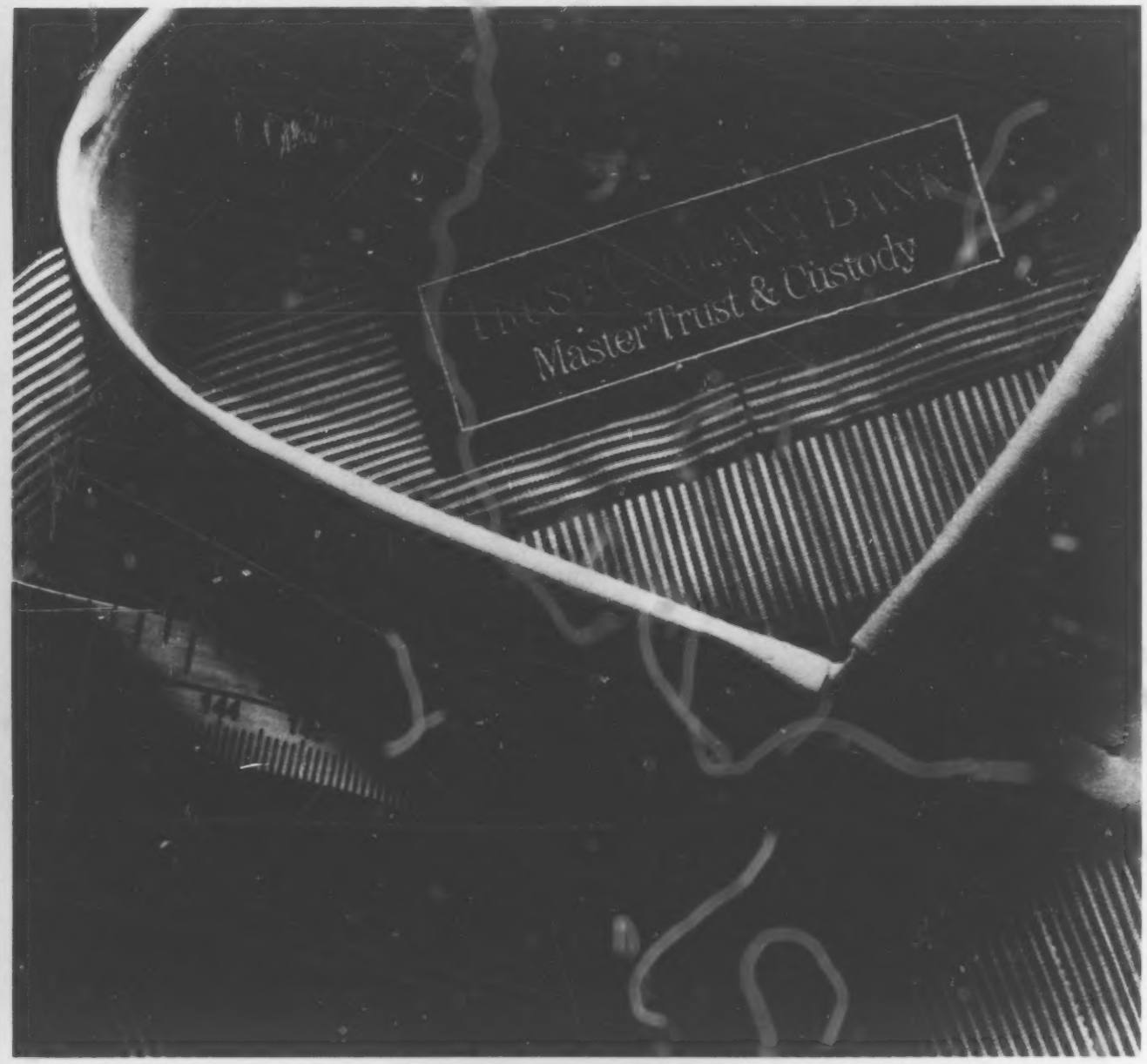
	%
Wellington Trust (Eq.), Mass.	14.5
Bankers Trust (Eq.), N.Y.	13.8
Wellington Trust (Pacific Basin)	12.1
California First Bank (Eq.)	11.6
Marine Midland (Eq.), N.Y.	10.3
Prudential (Print eq.), N.J.	10.1
Provident Nat'l (Low p/e eq.), Pa.	9.3
IDS Trust (Coll. eq.), Minn.	9.2
Morgan Guaranty (Eq.), N.Y.	9.2
Fidelity Mgmt. (Eq.), Mass.	9.1
HT Investors (Eq.), R.I.	9.1
Bessemer Trust (E), N.Y.	8.7
Citicorp (Eq.), N.Y.	7.5
First RebublicBank (Eq.). Texas	7.3
Marsh & McLennan (Putnam)	7.1
Bank of America (Eq.), Calif.	6.9
Centerre Trust (Coll. eq.)	6.9
Aetna MIM (Eq.), Conn.	6.7
First of Chicago (Eq.),	6.5
CIGNA Corp. (Eq.), Conn.	6.2
MSCI World Index	**6.2**
Chase Investors (EAFE index)	6.2
MSCI EAFE Index	**5.7**
Harris Trust & Savings (Eq.), Ill.	5.4
Wells Fargo (Eq.), Calif.	5.3
Chase Manhattan (Global eq.)	5.3
State Street Bank (Index), Mass.	5.1
Toledo Trust (Eq.), Ohio	3.0
Wellington Trust (Bond), Mass.	−1.8
Toledo Trust (Global bond), Ohio	−2.3
Prudential (Global bond), N.J.	−2.5
First of Chicago (Non-dlr. fixed)	−2.5
Bank of America (Fixed), Calif.	−3.0
Prudential (Foreign bond), N.J.	−3.9
Citicorp (Fixed), N.Y.	−4.6
Morgan Guaranty (Bond), N.Y.	−5.5

1-year returns

	%
Bankers Trust (Eq.), N.Y.	62.4
Wellington Trust (Pacific Basin)	60.1
Marine Midland (Eq.), M.Y.	59.0
Fidelity Mgmt. (Overseas), Mass.	50.4
Provident Nat'l (Low p/e eq.), Pa.	48.6
Wellington Trust (Eq.), Mass.	46.8
IDS Trust (Coll. eq.), Minn.	45.7
State Street Bank (Index), Mass.	45.6
Wells Fargo (Eq.), Calif.	45.6
MSCI EAFE Index	**45.5**
Bessemer Trust (E), N.Y.	45.0
Chase Investors (EAFE index)	44.7
MSCI World Index	**44.4**
First of Chicago (Eq.)	43.1
CIGNA Corp. (Eq.)	42.8
Chase Manhattan (Global eq.)	41.3
Bank of America (Eq.), Calif.	41.3
HT Investors (Eq.), R.I.	40.5
Prudential (Print eq.), N.J.	40.2
First RepublicBank (Eq.), Texas	38.9
California First Bank (Eq.)	37.5
Morgan Guaranty (Eq.), N.Y.	37.0
Marsh & McLennan (Putnam)	36.9
Centerre Trust (Coll. eq.), Mo.	34.2
Aetna MIM (Eq.), Conn.	33.6
Citicorp (Eq.), N.Y.	32.5
First of Chicago (Non-dlr. fixed)	19.4
Toledo Trust (Eq.), Ohio	15.4
Wellington Trust (Bond), Mass.	15.4
Prudential (Foreign bond), N.J.	14.7
Bank of America (Fixed), Calif.	14.1
Citicorp (Fixed), N.Y.	13.8
Prudential (Global bond), N.J.	13.1
Toledo Trust (Global bond), Ohio	12.3
Morgan Guaranty (Bond), N.Y.	11.9

3-year returns

	%
Bank of America (Eq.), Calif.	64.3
MSCI EAFE Index	**57.5**
Marine Midland (Eq.), N.Y.	57.0
Wells Fargo (Eq.), Calif.	55.7
Bankers Trust (Eq.), N.Y.	55.0
Bessemer Trust (E), N.Y.	54.1
Citicorp (Eq.), N.Y.	51.6
Chase Manhattan (Eq.), N.Y.	51.5
CIGNA Corp. (Eq.), Conn.	51.5
Wellington Trust (Pacific Basin)	51.1
Wellington Trust (Eq.), Mass.	50.6
First of Chicago (Eq.)	50.3
IDS Trust (Coll. eq.), Minn.	49.3
Aetna MIM (Eq.), Conn.	49.3
Marsh & McLennan (Putnam)	48.7
Centerre Trust (Coll. eq.), Mo.	45.4
First RepublicBank (Eq.), Texas	45.4
California First Bank (Eq.)	45.3
Morgan Guaranty (Eq.), N.Y.	45.0
HT Investors (Eq.), R.I.	42.3
MSCI World Index	**42.2**
Toledo Trust (Eq.), Ohio	34.7
Prudential (Global bond), N.J.	31.1
Bank of America (Fixed), Calif.	28.4
First of Chicago (Non-dlr. fixed)	28.3
Prudential (Foreign bond), N.J.	27.9
Citicorp (Fixed), N.Y.	27.5



Your Master Trust Service should fit just right.

Not all organizations have the same set of measurements.

That's why at Trust Company, we custom-tailor Master Trust and Master Custody Services to fit your company or institution exactly. We take into account your needs, your people, and your particular ways of doing business.

And along with state-of-the-art technology, we offer you the kind of personalized attention that some banks just can't deliver.

So when you go shopping for Master Trust or Master Custody Service, make sure you talk to Trust Company Bank. We just might suit you to a T.

For more information call: Paul L. Robertson, III, Vice President, 404-588-7319.

Trust Company Bank

A SunTrust Bank

Morgan Guaranty (Bond), N.Y.	24.0
Toledo Trust (Global bond), Ohio	22.5
Wellington Trust (Bond), Mass.	21.0

5-year returns

	%
Bankers Trust (Eq.), N.Y.	42.6
MSCI EAFE Index	**42.4**
IDS Trust (Coll. eq.), Minn.	42.4
Bank of America (Eq.), Calif.	42.1
Wells Fargo (Eq.), Calif.	40.6
Centerre Trust (Coll. eq.), Mo.	38.2
Citicorp Trust (Coll. eq.), N.Y.	37.7
First of Chicago (Eq.)	37.6
Marsh & McLennan (Putnam)	36.8
Wellington Trust (Eq.), Mass.	36.1
Bessemer Trust (E), N.Y.	35.4
Morgan Guaranty (Eq.), N.Y.	34.9
MSCI World Index	**33.8**
HT Investors (Eq.), R.I.	30.5
Chase Manhattan (Global eq.)	30.3
First of Chicago (Non-dlr. fixed)	19.6
Bank of America (Fixed), Calif.	17.5
Morgan Guaranty (Bond), N.Y.	17.3
Citicorp (Fixed), N.Y.	17.3

10-year returns

	%
MSCI EAFE Index	**24.8**
First of Chicago (Eq.)	22.6
Morgan Guaranty (Eq.)	21.9
MSCI World Index	**21.1**

Real Estate closed-end funds

Periods ended June 30

1-year returns

	%
JMB Institutional (I)	21.6
Metropolitan Life (II), N.Y.	17.8
JMB Institutional (II)	13.8
John Hancock (SERA 1), Mass.	13.4
LaSalle Advisors (LFII), Ill.	13.3
Lehndorff & Babson (Prop.)	11.5
CIGNA Corp., Conn.	11.5
State Street Bank (I), Mass.	11.1
JMB Institutional (III)	11.0
RREEF (Mid Amer./East IV)	10.7
LaSalle Advisors (LSF), Ill.	10.2
RREEF (Mid America III)	10.1
Landauer Advisors (I)	9.8
Equitec (I), Calif.	9.6
Aetna Life & Casualty (CERESA I)	9.5
State Street Bank (II), Mass.	9.4
RREEF (West V)	9.3
Sarofim Trust (SIRF P-I)	9.1
RREEF (West IV)	8.8
Metropolitan Life (I), N.Y.	8.3
Aetna Life & Casualty (CERESA II)	8.1
Coldwell Banker (VIII)	7.6
Coldwell Banker (IV)	7.0
RREEF (West III)	6.6
RREEF (West VI)	6.3
State Street Bank (III), Mass.	6.2
Equitable Life (New prop.), N.Y.	5.6
RREEF (Mid America II)	5.6
RREEF (USA III)	4.4
RREEF (West II)	4.2
Consumer Price Index	**3.8**
Coldwell Banker (III)	3.7
Coldwell Banker (V)	3.6
Coldwell Banker (II)	2.4
Coldwell Banker (VI)	1.5
RREEF (USA I)	1.0
RREEF (West I)	−0.1
Coldwell Banker (VII)	−3.9
RREEF (Mid America I)	−7.9
RREEF (USA II)	−14.6

3-year returns

	%
JMB Institutional (I)	19.3
John Hancock (SERA 1), Mass.	17.4
State Street Bank (I), Mass.	15.6
JMB Institutional (II)	14.6
LaSalle Advisors (LSF), Ill.	14.5
Landauer Advisors (I), N.Y.	13.3
Sarofim Trust (SIRF P-I)	13.2
Coldwell Banker (V)	13.1
Aetna Life & Casualty (CERESA I)	13.1
Equitable Life (New prop.), N.Y.	11.4
CIGNA Corp., Conn.	11.2
RREEF (Mid America II)	10.4
State Street Bank (II), Mass.	9.9
RREEF (West III)	9.6
RREEF (Mid Amer./East IV)	9.1
Metropolitan Life (I), N.Y.	9.0
Coldwell Banker (IV)	8.9
RREEF (West II)	8.5
RREEF (West VI)	8.4
RREEF (West V)	7.9
Coldwell Banker (II)	7.8
RREEF (USA I)	7.4
Coldwell Banker (III)	6.1
Coldwell Banker (VII)	5.8
Coldwell Banker (VI)	5.7
RREEF (West I)	5.3
RREEF (USA III)	4.9
Consumer Price Index	**3.1**
RREEF (Mid America I)	2.2
RREEF (USA II)	−1.7

5-year returns

	%
JMB Institutional (I)	19.2
LaSalle Advisors (LSF), Ill.	16.0
Coldwell Banker (V)	13.0
RREEF (Mid America II)	12.5
Equitable Life (New prop.), N.Y.	11.8
RREEF (West III)	11.2
Coldwell Banker (II)	11.0
Coldwell Banker (IV)	10.5
RREEF (West II)	10.2
RREEF (USA I)	9.6
RREEF (West IV)	8.4
RREEF (West I)	8.3
Coldwell Banker (VI)	8.1
Coldwell Banker (III)	8.0
RREEF (Mid America I)	5.5
RREEF (USA II)	5.0
Consumer Price Index	**3.2**

1,000 largest funds: Jan. 25.

10-year returns

	%
Coldwell Banker (II)	18.5
RREEF (West I)	15.0
Consumer Price Index	**6.5**

Real Estate open-end funds

Periods ended June 30

1-year returns

	%
Chase Manhattan, N.Y.	16.6
Morgan Guaranty, N.Y.	14.3
Copley (Dev. prop.), Mass.	14.2
Metropolitan Life (Tower), N.Y.	13.6
Wells Fargo Realty, Calif.	13.2
Prudential (PRISA II), N.J.	12.0
United Virginia Bank	12.0
Citicorp, N.Y.	11.5
New York Life Ins. (SA 3)	11.4
Phoenix Mutual, Conn.	11.1
NCNB Nat'l Bank, N.C.	10.9
Canada Life Assurance	10.7
Third Nat'l Nashville, Tenn.	10.3
Prudential (PRIMOR), N.J.	9.9
Prudential (MORISA), N.Y.	9.4
Massachusetts Mutual	9.3
Equitable Life (Prime prop.), N.Y.	9.3
Metropolitan Life, N.Y.	8.9
Harris Trust (Inc. prop. F), Ill.	8.9
Goldman Sachs (Inprop.), N.Y.	8.6
Bank One Trust Columbus, Ohio	8.1
Bank of Boston	8.1
Aetna Life & Casualty (RESA)	7.4
Principal Mutual Life, Iowa	7.3
Aetna Life & Casualty (PMSA)	7.3
CIGNA Corp., Conn.	7.2
Union Labor Life (J), D.C.	7.0
Sanwa Bank (F), Calif.	6.7
Travelers, Conn.	6.4
Wachovia Bank, N.C.	6.3
Sun Bank, Fla.	6.2
Prudential (PRISA), N.J.	4.5
Consumer Price Index	**3.8**
First of Chicago (F)	3.6
Southland Trust (SREEF), Texas	3.5
Mutual Benefit Life (VCA-5), N.J.	2.5
John Hancock, Mass.	−1.2
SeaFirst Bank, Wash.	−4.6
First RepublicBank (Eq.), Texas	−23.8

3-year returns

	%
Copley (Dev. prop.), Mass.	17.8
Citicorp, N.Y.	15.4
Chase Manhattan, N.Y.	15.3
Morgan Guaranty, N.Y.	15.1
Phoenix Mutual, Conn.	14.7
Prudential (MORISA), N.J.	14.6
Canada Life Assurance	14.2
Prudential (PRISA II), N.J.	14.0
Union Labor Life (J), D.C.	13.8
Prudential (PRIMOR), N.J.	13.7
NCNB Nat'l Bank, N.C.	13.1
Bank One Trust Columbus, Ohio	11.9
Wells Fargo Realty, Calif.	11.4
Metropolitan Life, N.Y.	11.4
United Virginia Bank	11.2
CIGNA Corp., Conn.	10.9
Wachovia Bank, N.C.	10.9
Goldman Sachs (Inprop.), N.Y.	10.7
Harris Trust (Inc. prop. F), Ill.	10.6
Aetna Life & Casualty (PMSA)	10.6
Bank of Boston	10.6
Southland Trust (SREEF), Texas	10.6
Equitable Life (Prime prop.), N.Y.	10.5
Mutual Benefit Life (VCA-5), N.J.	10.4
Massachusetts Mutual	9.8
Metropolitan Life (Tower)	9.7
Third Nat'l Nashville, Tenn.	9.6
Sun Bank, Fla.	8.9

Continued on page 22

Talk to Merrill Lynch now. Simplify all your 401(k) planning with one source.

It's late. But not too late. Not when you contact Merrill Lynch right away about simplifying all your 401(k) planning.

How can Merrill Lynch help so quickly? Our custom 401(k) services are among the most comprehensive in the market. We provide services for approximately $36 billion in retirement plan assets as of October 23, 1987.

Finally, we're committed to helping you over the critical few weeks ahead.

All this experience, all these plan features have been distilled into one complete 401(k) plan package offering simplicity, confidence and convenience with:

- Plan Design
- Plan Documentation
- Recordkeeping Services
- Trust/Custodial Services
- Investment Services
- Enrollment Services

These are, after all, the very services you want in a 401(k) plan – whatever the time constraints. You can also look to Merrill Lynch for risk averse investment selections, so you and your employees can have confidence in your retirement plan contributions.

For Merrill Lynch to simplify all your 401(k) planning by year's end, you need to act today. In most cases, Merrill Lynch can provide a plan within 30 days. Mail back the attached coupon now. Or call 1-212-755-401k, 9:00 am to 5:00 pm weekdays ET. Or call your local Merrill Lynch office. A Merrill Lynch 401(k) specialist will contact you with full details.

© 1987 Merrill Lynch, Pierce, Fenner & Smith Inc. Member SIPC

Call today
1-212-755-401k

Merrill Lynch, Pierce, Fenner & Smith Inc.
717 Fifth Avenue, Ninth Floor
New York, New York 10022

Yes, I want Merrill Lynch to help simplify my company's 401(k) planning by year's end. Please contact me right away.

Our organization ☐ does ☐ does not have a current 401(k) plan.

Name _____

Title _____

Company Name _____

No. of Employees _____

Address _____

City _____

State _____ Zip _____

Business Phone _____

Merrill Lynch clients, please indicate name and office address of your Financial Consultant.

_____

_____

PI 1187

Merrill Lynch

Overseas . . .

Continued from page 17

quarter.

Globally, the firm's industry breakdown is 33% each in basic industry and consumer stocks and a smaller portion in regulated services like banking and utilities and what it calls applied science industries such as pharmaceuticals and electronics.

Like BA, Wellington Trust stayed pretty much on the sidelines during the crash. In October, its assets declined about 20%.

The firm's $3 million Pacific Basin portfolio also was sharply underweighted in Japan vs. the Morgan Stanley Capital International Pacific Basin index and invested in sectors similar to those of the international fund.

Early in the third quarter, Wardley Investment reduced its U.K. exposure to 16.5%, but in September the exposure was raised to 26%.

"We remained overweight when the U.K. market proved to be one of the least resilient in the market fall of October," said Mr. Henderson.

The firm also was "wrongly overweight" in France, which suffered uncertainty over poor export performance and privatizations soaking up excess liquidity, he said.

But the firm boosted exposure to Japan, the least scarred market in October, to 44% from 35.5% during the quarter to reap gains from the market's sharp August and September rise. It repositioned the Japanese portion to include export stocks because domestic stocks had lost favor due to interest rate rises and the dollar's brief period of stability.

New Zealand exposure was tripled to 6% during the early part of the quarter but scaled back to 3% in September.

Wardley, which lost 24.5% in October, raised cash to 30% at the beginning of November, largely by liquidating some holdings in Japan and the United Kingdom on Black Monday.

"Everybody wanted to increase liquidity soon after it became clear the markets would have a severe correction," said Mr. Henderson.

Since then, it has moved significantly into continental Europe, buying such high-yield companies as **Philips N.V.** in the Netherlands and **Nokia Oy AB**, a Finnish manufacturer of telecommunications equipment and cables.

Contrary to the other top managers, Peter Lamaison, president and chief investment officer of IDS International, avoids Spain and Portugal.

He likes large, liquid markets and smaller markets that have been popular longer than Spain, such as Hong Kong, Singapore and Australia.

Unfortunately, an overweighting in those markets vs. the EAFE contributed to the firm's 20% loss for the month of October.

"We had anticipated that the world economy would almost grow too much in 1988, raising inflationary fears. The crash took those away. We were positioned to take advantage of above average earnings growth," said Mr. Lamaison.

IDS had no cash because it thought the bull market had some momentum left. Now, quality, liquid companies that have clear earnings potential and have been hurt the worst are the firm's favorites.

"Switzerland looks solid as a rock and it has more of an entrepreneurial go to it than Germany," said Mr. Lamaison.

Switzerland's **F. Hoffmann-La Roche & Co. AG,** and West Germany's **Sandoz Ltd.**, a specialty chemical and pharmaceutical company, are among Mr. Lamaison's picks.

Mr. Lamaison also likes U.K. consumer staple goods and has purchased stock in **B.A.T. Industries PLC**, a tobacco company. ■

Continued from page 21

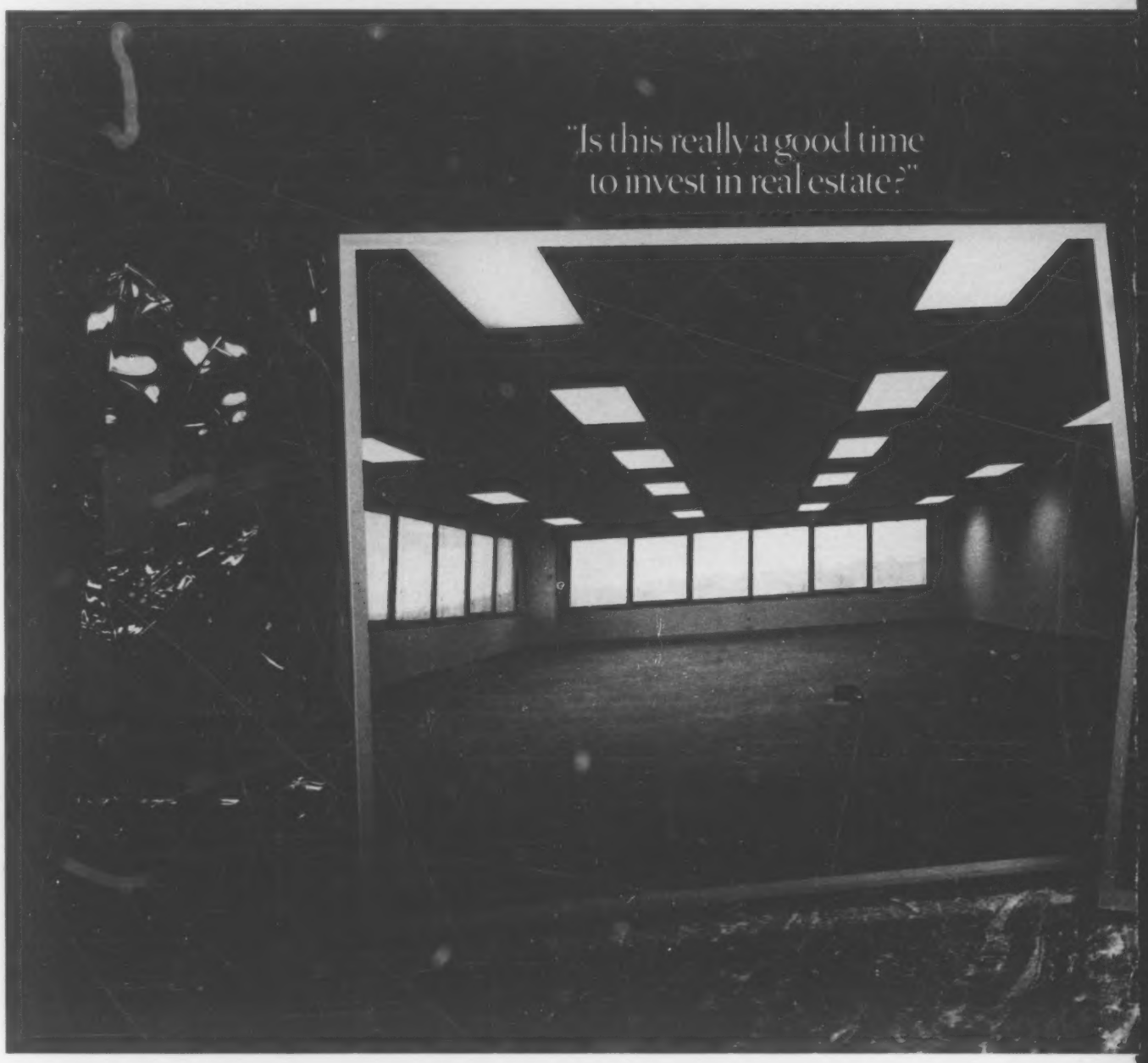
Aetna Life & Casualty (RESA)	8.7
Principal Mutual Life, Iowa	8.7
First of Chicago (F)	8.0
Travelers, Conn.	7.6
Prudential (PRISA), N.J.	7.4
Sanwa Bank (F), Calif.	7.0
New York Life (SA 3)	6.7
John Hancock, Mass.	4.5
Consumer Price Index	**3.1**
SeaFirst Bank, Wa.	2.2
First RepublicBank (Eq.)	−2.4

5-year returns

	%
Copley (Dev. prop.)	20.7
Morgan Guaranty, N.Y.	16.5
Union Labor Life (J), D.C.	15.2
NCNB Nat'l Bank, N.C.	15.0
Phoenix Mutual, Conn.	15.0
Prudential (MORISA), N.J.	14.8
Prudential (PRISA II), N.J.	14.5
Chase Manhattan, N.Y.	14.4
Prudential (PRIMOR), N.J.	14.4
Aetna Life & Casualty (PMSA)	13.3
Canada Life Assurance	13.2
Metropolitan Life, N.Y.	13.0
CIGNA Corp., Conn.	12.8
Metropolitan Life (Tower), N.Y.	12.7
Southland Trust (SREEF), Texas	12.7
Mutual Benefit Life (VCA-5), N.J.	12.3
Citicorp, N.Y.	12.1
Equitable Life (Prime prop.), N.Y.	11.8
Bank of Boston	11.7
United Virginia Bank	11.7
Bank One Trust Columbus, Ohio	11.0
Wachovia Bank, N.C.	10.3
Wells Fargo Realty, Calif.	10.2
Aetna Life & Casualty (RESA)	10.2
Massachusetts Mutual	10.1
First of Chicago (F)	10.1
Principal Mutual Life, Iowa	10.0
Sun Bank, Fla.	10.0
Third Nat'l Nashville, Tenn.	9.7
Prudential (PRISA), N.J.	8.6
Travelers, Conn.	8.2
John Hancock, Mass.	7.2
New York Life Ins. (SA 3)	5.5
SeaFirst Bank, Wash.	5.1
Consumer Price Index	**3.2**
First RepublicBank (Eq.), Texas	2.6

10-year returns

	%
Morgan Guaranty, N.Y.	18.4
Wachovia Bank, N.C.	15.0
NCNB Nat'l Bank, N.C.	14.4
Metropolitan Life, N.Y.	13.8
Prudential (PRISA), N.J.	13.7
Equitable Life (Prime prop.), N.Y.	12.9
Wells Fargo Realty, Calif.	12.7
Bank of Boston	11.9
First of Chicago (F)	11.8
Travelers, Conn.	11.5
John Hancock, Mass.	10.6
Consumer Price Index	**6.5**



It takes a lot of insight to predict which red-hot commercial property is destined to become a white elephant. It also takes a lot of research and market strategy.

At Ætna, we have plenty of experience in providing all three. Equally important, we have expertise in hands-on property management.

Now Ætna is starting its second, closed-end specialty fund for qualified pension plan investors.

It involves the construction, or rehabilitation, of shopping centers in key

The Retail Development Fund will accept subscriptions above $500,000 and is expected to close by early 1988. Pension managers call T. Jerald Moore, Vice President,

Special . . .

Continued from page 17

five-year and first in the 10-year periods with compound annualized returns of 30% and 28.6% respectively.

California First's $12.5 million supplemental equity fund invests primarily in small-cap companies, said Dave Urban, assistant vice president-funds management. The fund invests in anywhere from 30 to 70 companies at a time, said Mr. Urban. "We're looking for above-average earnings momentum," he said. "We hope the companies will either become large on their own or will be bought."

Although he declined to name current holdings, Mr. Urban said technical stocks were what championed the fund. He also said a few employment-service companies that had done well and mentioned a financial news company, **American Business Journals**, that had also done well.

Although the crash dropped the fund to $12.5 million from $17 million, Mr. Urban said he believes small-cap investments are more attractive since the crash. In the worst case, he said, small companies will continue to grow and the S&P 500 will fall to their level. In the best case, the companies will grow to the level of the S&P. "Either way you have relative performance," Mr. Urban said.

For the quarter ended Sept. 30, the supplemental opportunity fund of Morgan Guaranty Trust Co., New York, was first with a return of 13.5% vs. the PIPER median of 5.3% and the S&P 500's 6.6%.

Rounding out the top five for the quarter were First National Bank of Minneapolis' Fund 20 with 11.8%, First Trust Co.'s special equity fund, St. Paul, Minn., with 11.1%, the First National Bank of Maryland's special equity fund, Baltimore, with 11.1% and the supplemental equity fund of Manufacturer's Hanover Trust Co., New York, with 10.8%.

For the three-year period, the growth fund of E.F. Hutton Trust Co., Wilmington, Del., was first with a return of 51.5% compounded annually vs. the S&P 500's 29.4%, and the PIPER median's 23.3%. Hutton's emerging growth fund was second with a compound annual return of 48.8%, followed by First Republic with a return of 42.3%, First of Neenah, Wis., with 35% and Trust Co. of the West, Los Angeles, with 34.6%.

For the five-year period, Fidelity Management Trust Co., Boston, was first with a compound annual return of 36.3%, compared with the S&P's 26.8% and the PIPER median of 22.2%. The other leaders were: California First Bank with 30%, Chase Manhattan Bank, New York, with 30%, Citicorp, New York, with 28.7% and Connecticut National Bank, Hartford, with 28.2%. All returns are compound annualized.

For the 10 years ended Sept. 30, California First Bank was the leader with a compound annual return of 28.6% vs. the S&P's 18.3% and the PIPER median of 19.8%.

Other leaders included Bankers Trust Co., New York, with an annualized 25.7%, First of Maryland with 23.8%, Manufacturer's Hanover with 23.4% and Chase Manhattan Bank with 23.3%. ■

Organization opposes IRS benefit plan

WASHINGTON — The ERISA Industry Committee is asking the Internal Revenue Service to withdraw its proposal that would require employers to provide benefits for leased employees.

The committee also wants the IRS to hold public hearings.

"The proposed regulations carry the concept of a 'leased employee' to an intolerable extreme, wholly inconsistent with well-accepted business practices," said ERIC Executive Director Mark J. Ugoretz.

Under a September proposal, a company could be required to provide benefits to independent contractors, professionals and even some government employees who provide substantial services to a particular plant, ERIC pointed out in a release.

The current statute doesn't precisely define a leased employee, but it is generally interpreted to mean office workers or other employees leased by a firm to do work typically done by a regular employee. The proposed regulation would define a leased employee in broad terms so that it could include consultants or other independent contractors. ■

"It is if you know where to shop."

locations around the country.

Market conditions strongly favor this investment. Larger shopping centers are currently in demand. And a glut in the market is unlikely given the difficulties of developing these centers.

The Retail Development Fund is the kind of well-designed, well-targeted investment opportunity you'd expect from Ætna. To that old formula, "location, location, location," we've made an important addition: strategy.

Ætna

Ætna Realty Investors, Inc.
A part of Ætna Investment Management Group

WORK WITH THE BEST IN THE BUSINESS

Employee Benefits Division, Ætna Life Insurance Company, at (203) 636-6226. Or call James Richmond, Jr., President, Ætna Realty Investors, Inc., at (203) 275-3247.

EASTMAN/ ARNOLD EXCELS IN PROPERTY MANAGEMENT

- Contain Reduce operating expenses
- Increase profits
- Enhance asset value
- Improve tenant satisfaction

Call Today: (215) 568-8090

Eastman/Arnold Company
Commercial Real Estate
More satisfaction per square foot

One Penn Center
At Suburban Station
Philadelphia, PA 19103

Management agents of Class A Office Buildings in the Mid-Atlantic States

Public Funds

International is hot, realty cool

By Marlene Givant

Although stock markets crashed worldwide Oct. 19, public pension funds are moving ahead with plans to place at least $6 billion more into international investments, continuing an already robust trend.

But interest in real estate, the hot investment among public funds in the past few years, will slow, with fewer funds making initial investments and more trying to reach their target allocations.

"I don't know that this was a particularly hot year" for real estate investing among public funds, said William Ramseyer, president of Pension Realty Advisors Inc., San Francisco. "Public funds are farther behind their target real estate allocations than stocks and bonds. There will be more allocations to come. Very few public pension systems entered the marketplace in 1987; most were continuing to buy."

While more than 15 public funds made their first moves — exceeding a total of $6 billion — into international investments in 1987, and still more added to their current allocations, many still are searching for their first such managers *(see charts, pages 47 and 49)*.

"They're not even thinking about (cutting back). (The crash) is an aberration. Long term, they can weather it," said Carol Proffer, principal with William M. Mercer-Meidinger-Hansen Inc., St. Louis.

With the U.S. stock market picture made bleaker by the budget deficit, there's no reason not to invest overseas, said Wendy Howard, U.S. marketing manager of the New York office of the WM Co., a London-based consultant. "It may well be overseas investments will outperform next year," she said.

Because the number of public funds is small and the market closely knit, international activity by public funds has been epidemic.

"They tend to do things in tandem. There was a catch-up period to the corporate funds because a lot of public funds had to pass legislation before being able to go international. Now they're all going ahead at the same time," Ms. Howard said, noting there are at least 17 international and global manager searches in progress.

The $23 billion California State Teachers' Retirement System, Sacramento, a leader in real estate investments with $600 million, plans to invest $400 million with international equity and bond managers after the first quarter of 1988.

It also plans to branch into special situations investments such as leveraged buy-outs and venture capital within three to four years.

"With retooled real estate, international and special situations, we'll complete the set of programs the board set one year ago," said Larry Kurmel, chief executive officer.

The fund will invest in international bonds and equities to diversify as broadly as possible.

But the diversification benefits of international equity will be put to a test because of the crash.

"Although the markets worldwide have moved in tandem as a result of the crash and the original diversification argument said there was a low correlation (between the U.S. stock market and those in the rest of the world), I think when things settle down, we'll see the correlation. But of course as the markets globalize, the correlation will begin to increase," said Ms. Howard.

For instance, in the 10 years through 1986 there was a lower level of correlation between international markets and the U.S. market than during the past three years, when to the end of 1986, there was only a 0.12% correlation between the Morgan Stanley Capital International Europe Australia Far East index and the Standard & Poor's 500 stock index.

"We will see more of a correlation between the rest of the world and the U.S., but from a base of 0.12% there's quite a margin. That will continue to lure public funds," Ms. Howard said.

Among funds moving ahead with plans to make their initial moves into international investments, are the Teacher Retirement System of Texas and the North Dakota Teachers' Insurance & Retirement Fund.

The internally managed $17 billion Texas Teachers system, Austin, expects to start investing internationally by mid-1988.

"We've got some logistical hurdles to get past and we need final board approval, but we've been looking into it for a year and I'm optimistic we'll eventually get that worked out," said Joseph Perrone, chief investment officer.

Continued on page 49

1987 allocations
(first hires)

Fund	Amount ($ mils.)
Arizona State Retirement System	500
Boston City Retirement System	50
California Public Employees	4,000*
Dallas Police & Firemen	20
Employee Retirement System of Fort Worth	22
Florida State Board of Administration	200
Illinois State Board of Investments	40
Los Angeles County Retirement Fund	900**
City of Milford, Conn.	10
Nevada Public Employees	50
New Hampshire Retirement System	55
North Dakota Public Employees	20
Orange County Employees Retirement	50
Orlando Police, Fire & General	12
Sacramento County Employees	40
State of Connecticut Trust Funds	27
Utah State Retirement System	25
(additional hires)	
District of Columbia Retirement Board	20
Hawaii Employees Retirement System	30
Illinois Municipal Retirement Fund	165
Kansas Public Employees Retirement	20
Oregon Public Employes	10
San Bernardino County Employees	10

*Target allocation
**$450 million initially, $450 million to come
Source: *Pensions & Investment Age*

Public funds survive market crash

Cautious equity stance limits damage

By Jacqueline Dutton

Public pension funds weathered the October stock market crash well due to a cautious equity stance taken by fund managers and executives.

According to pension executives of 29 of the nation's largest state and municipal funds, the equity positions of the funds were, as a whole, below the maximum levels allowed heading into the Oct. 19 stock market crash.

In addition, most of those interviewed said their funds are maintaining a conservative equity stance at a time when other funds, investors and companies are raising their equity stakes to take advantage of reduced stock prices.

For 20 funds surveyed, equity exposures are limited by the respective state or local governments. Although the median maximum equity position allowed was 50%, the stock exposure of the median fund was only 40%.

For the nine remaining funds, equity exposure is not restricted to a specific percentage, but executives are charged with making "prudent" asset allocation decisions. Among these, the median equity stance taken was 35%.

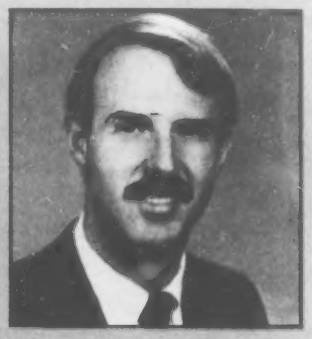
Although the Texas Municipal Retirement System, Austin, could invest up to 100% of its assets in stocks if trustees believed it to be prudent, the $1.5 billion fund came out of Black Monday unscathed. According to Gary Craig, investment officer, the fund sold all of its stocks during the spring and put everything into U.S. Treasury and corporate debt. Mr. Craig said the fund will hold its position despite the drop in stock prices.

Before the crash, the $3 billion San Francisco City and County Employees' Retirement System, the $8 billion Maryland State Retirement Systems, Baltimore, and the $3.6 billion Iowa Public Employees' Retirement System, Des

Continued on page 48

David Rose of Alaska Permanent is "a little bittersweet" about selling stocks.

Bennett Shaver said the Maryland system was merely implementing its financial plan.



Maryland's Howard France, left, said the move out of stocks reduced the equity investment to 35% of total assets from 60%. San Francisco's Dewitt Bowman said fund officials have no plans to return to the equity market, but Charles Webb said the Tennessee system might "ease back in."

2 smell trouble, sell stocks

By Fred Williams

While the October stock market crash caught many plan sponsors and investment specialists by surprise, at least two major public funds anticipated the market bust and sold stocks in advance to lock in market gains.

The Alaska Permanent Fund Corp. reduced passive equity exposure $725 million in the spring and shifted the assets to U.S. Treasury securities based on a belief that the market had reached its peak and was due for a correction (*P&I Age*, March 9).

Fund executives from the Maryland State Retirement and Pension Systems, Baltimore, sold $2.3 billion in stocks and established a $4 billion dedicated bond portfolio in October before the crash, feeling the market was nearing its peak (*Pensions & Investment Age*, Oct. 19).

Executives at both funds claim no special insight in calling the market, and view their conservative moves as fortuitous and in accordance with their conservative investment styles.

"It wasn't a market timing call or an asset allocation decision," said Bennett H. Shaver, secretary of the Maryland fund. "We were simply implementing our fund's financial plan."

Both funds plan to re-enter the

Continued on page 50

Hot, cold . . .

Continued from page 47

The fund initially would commit about 1% of assets — $170 million — to foreign equities.

Wellington Management Co./ Thorndike, Doran, Paine & Lewis, Boston, the fund's investment counsel, would provide investment advice to the in-house management team.

The $315 million North Dakota Teachers' fund, Bismarck, which completed an asset allocation study with Callan Associates, San Francisco, that called for up to 5% — $15.8 million — in international investments, plans to invest overseas by next spring or summer.

"We want to study it to see if it would be politically feasible," said Scott Engmann, director. The study also called for 5% real estate, 5% cash, 35% equities and 50% bonds.

Unlike the case of international, where most 1987 activity was from first-time investors, real estate's growth was from veteran public fund investors pumping more into the area. Public funds were more active than corporate funds in real estate largely because they're further from meeting their target allocations. But funds adding to real estate plan to move slowly.

The State of Wisconsin Investment Board, which oversees about $18 billion in pension assets, will invest between $1.5 billion and $1.8 billion in real estate equity investments during the next four and a half years (*Pensions & Investment Age*, Nov. 2) and will invest a portion internationally; the approximately $36 billion New York State Common Retirement Fund will increase its equity real estate exposure to about 6% from 0.67% by 1992 primarily through direct investments (*P&I Age*, July 27); and the $43 billion California Public Employees' Retirement System and the $23 billion California teachers' system each will increase its real estate allocation to 10%.

The California Teachers fund will diversify its real estate holdings, emphasizing whole portfolio goals over individual deals to meet its target in the next three to four years.

"Historically, we've done no residential or hotel acquisitions . . . and we might consider those now. The real estate market's still tough," Mr. Kurmel said. "In the past, we and other funds looked around for good deals. There's more to it now than that. We'll make decisions based on what we want our portfolio to look like."

In addition to diversifying by property type, the fund will use different subclasses of real estate debt and equity. "We had been doing cash-on-cash deals. Now we're looking at equity kickers, equity participations and maybe some loans," he said.

"We didn't do a lot in acquisitions in '87. We just started again. The market is still a little mixed but will get healthier for long-term holders like us," said Mr. Kurmel.

The $14.5 billion Ohio Public Employees' Retirement System, Columbus, doubled its real estate investments in 1987 to $400 million, all through direct investments.

"We're trying to withdraw money from funds and go to separate accounts. . . . People don't like real estate; we like it," said Robert A. McLaughlin, investment officer. "We look at real estate on a long-term basis. In the first half of the decade, it looked overpriced, but in the last two years it's become more competitive with bonds and stocks."

Even with the October market crash, which has made stocks perhaps more attractive than real estate, the industry looks more attractive long term than bonds or cash, he said.

"The tax law changes that took place a little over a year ago really hurt the tax-paying public. The tax laws make the public funds a lot more competitive in the real estate area," Mr. McLaughlin said.

Increased real estate investments by public funds have been a function of growth in total plan assets. The greater the growth, the harder it will become to find good deals, according to consultants.

"For large public plans, the precious question is how to get all that money spent that has to be spent. With the possibility of a market decline, they might want to sell stocks and put them into other asset classes . . . The assets have to go somewhere else," said Paul Saylor, principal, Institutional Property Consultants, Atlanta.

"There's more dough allocated to real estate than can be wisely spent. It doesn't look like they can spend as much on actual real estate as they've allocated . . . The investment-grade marketplace is very capital intensive, mostly because large public funds have too much allocated to real estate. They're too bright not to spend that money sensibly. As to what's going to happen to that money, it beats me."

Mr. Ramseyer of Pension Realty Advisors is urging caution.

"We're encouraging clients to continue their disciplined approach (to real estate). They should take five years or more to meet targets, if necessary," he said. ■

Funds with searches in progress

Fund	Amount ($ mils.)
California State Teachers	400
Chicago Transit Authority Employees	80
Colorado Public Employees	700
District of Columbia Retirement Board	50
Fresno County Employees	NA
Genesee County Employees	15
Los Angeles City Employees	200
Los Angeles Fire & Police	130
Maine State Retirement System	NA
Maryland State Retirement System	NA
New York City Comptrollers Office	NA
Pennsylvania State Employes	NA
Philadelphia Municipal Pension Fund	160
Pontiac Police & Firemen	NA
Rhode Island Employees Retirement	140
Virginia Supplemental Retirement	NA
Wisconsin Investment Board	500

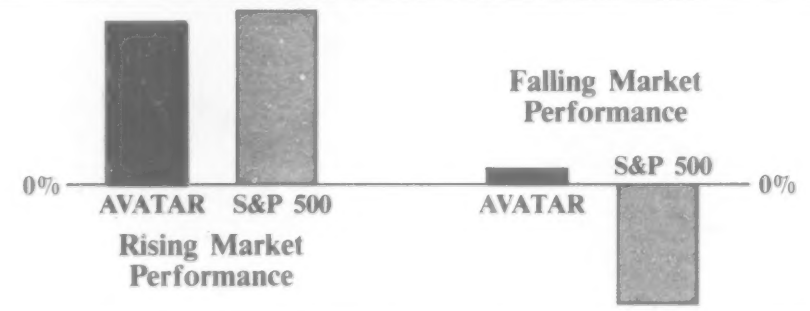
Source: Various consultants

Wrestling with the **Asset Allocation** issue?

Let us help you **prepare for the next Bear Market with** our four **Active Asset Allocation** services which help . . .

- Reduce Volatility
- Preserve Capital
- Improve Performance

1971–86 Performance Pattern



Past performance is no guarantee of future results.

- 17 years **Real-Time** experience
- Same founding principals
- $1.3 billion managed
- Inhouse quantitative research
- Systematic decision making
- Superior capital preservation

Our **Active Asset Allocation** services fit best as a . . .

1. "Swing" manager to strategically alter the total fund asset mix
2. Specialty defensive equity manager
3. Flexible equity/balanced core manager
4. Conservative equity/balanced option for defined contribution assets
5. "Invisible" futures override to equity assets managed elsewhere

AVATAR ASSOCIATES

900 Third Avenue
NY, NY 10022

Bruce L. Poliquin, VP
(212) 753-7710

Corporate Finance

Photo by Dennis Kohn

This windmill farm, constructed by U.S. Windpower Inc., is one of the many energy projects drawing the interest — and money — of insurers and their pension clients.

Major investors provide fuel for energy projects

By Marcia Parker

The builders of waste-to-energy, cogeneration and other renewable energy projects increasingly are seeking financing from a growing number of major institutional investors — including insurance companies and their pension clients — attracted by solid returns and socially and environmentally responsible investment.

"This is a large and growing market. The number of transactions are coming into Aetna at a tremendous rate. It's a growing focus for us," said Joseph E. Levy, investment director at Aetna Bond Investors, a unit of Aetna Life Insurance Co., Hartford, Conn. "These are socially and economically acceptable investments for our stockholders and our pension clients."

Dozens of garbage-to-energy plants are sprouting up across the country as communities wrestle with landfills filled to capacity and worries about protecting underground water supplies from seepage. Natural-gas and coal-fire cogeneration plants also are popping up all over, along with a sprinkling of hydroelectric plants, wood-fired generating plants, geothermal projects and windpower farms.

During the next decade, these capital-intensive projects are expected to need some $50 billion of financing, according to industry analysts. The market for refuse-to-energy facilities is especially strong, according to analysts who follow the builder-operators in the industry. Many municipalities are seeking bids from a short list of builder-operators.

Institutional investors, Wall Street investment bankers who arrange the deals and the builder-operators of these plants say there is clearly a trend toward greater use of institutional capital sources and greater use of taxable paper instead of the traditional tax-exempt paper.

Companies that financed projects partly out of internal cash flow are using those funds for other corporate purposes, and turning more to institutions with deep pockets. In addition, institutions that have had good experiences providing either debt or equity are now considering offering both.

Because the institutional financing is arranged in the private placement market, it is hard to say how much money is being pumped into these projects. But based on interviews with a variety of the key institutional players, it appears they have invested well over $1 billion in recent years.

These experts expect the bulk of the financing that will be required in the future to come from institutions, including insurance companies, finance subsidiaries of major companies and more pension funds. At least two major insurance companies say they are investing company money along with some of the pension assets they manage for outsiders.

In fact, the competition among the major institutional players is heating up, according to the institutions and Wall Street investment bankers.

"There's more competition to provide the financing. There aren't a lot of places for institutions like us to put our money," said George Schaefer, senior vice president and manager of the energy program at General Electric Credit Corp., Stamford, Conn.

Major finance companies like GECC and Ford Motor Credit Corp., Dearborn, Mich., have long played a key role in providing equity financing to these projects. Now they are stepping up their participation.

Continued on page 57

Ogden hits goal in self-imposed diet

By Marcia Parker

NEW YORK — Six years of restructuring is starting to pay off for Ogden Corp., a company that has shed its fat to become what some analysts believe is a winner.

Ogden's transformation from a hodgepodge of capital intensive businesses to a major diversified services company is beginning to deliver its first fruits. Earnings are up, the company's balance sheet is strong, it has a $300 million-plus cash hoard on hand, debt and costs have been slashed.

Even with Wall Street's post-stock market crash economic forecasts, the company is expected to perform well, with strong future earnings prospects. Analysts who follow the company are especially keen on Ogden's growing position in the resource recovery area.

Laurence C. Baker, who follows the company for E.F. Hutton & Co., ranked Ogden as one of five stocks he believes will fare well in a slow growth environment. "They represent the highest quality in terms of balance sheet, market liquidity, cash availability and earnings stability," Mr. Baker said in his Nov. 9 report on the company.

Like most analysts who follow the company, he expects Ogden, whose stock was selling around $26 a share in early November, to see earnings rise to an estimated $1.30 per share this year, and $1.60 per share in 1988, from 97 cents per share in 1986.

Carol Neves, vice president at Merrill Lynch Capital Markets, said Ogden's cash flows are impressive, it's a market leader in mass-burn resource recovery plants and 20% earnings gains are expected in the next five years. "Shares are expected to benefit from price-earnings multiple increase as waste-to-energy and toxic waste markets further dominate Ogden's future results," Ms. Neves said.

Analysts say Chairman and Chief Executive Ralph E. Ablon — who presided over the metamorphosis that began in 1981 and was completed this year — and the management team have done a good job on a tough restructuring.

Organized as a public utility holding company in 1939, Ogden through the years acquired a mishmash of companies, from Avondale Shipyards Inc. to Tillie Lewis Foods Inc. to Doggie Diner Inc.

As was the case with many conglomerates, Ogden's performance did not shine. "We looked at what kind of world we would live in and the ideal company for the balance of the century. We discovered that everything we had didn't fit and we had almost nothing we needed to become a total services company," said Mr. Ablon.

By 1980, corporate America was shifting to a service-oriented economy and adopting a back-to-basics strategy, which manifested itself in the shedding of ill-fitting and poor-performing assets and concentrating on operations the company knew best. Ogden joined that bandwagon, and embarked on a major restructuring in 1981.

Today, the company is a shadow of its former self. It will derive less than 5% of its 1987 operating profit from businesses that were part of the company in 1981.

No longer dependent on myriad capital-intensive affiliates, Ogden is a diversified company primarily engaged in providing services in four major areas: operating, project, financial and environmental services. To accomplish that restructuring, several companies have been sold and others were acquired or merged.

A streamlined management structure was put into place. Each unit — Ogden Allied Services Corp., Ogden Environmental Services Inc., Ogden Financial Services Inc. and Ogden Projects Inc./Ogden Martin Systems Inc. — is headed by a president/chief operating officer. All report to Mr. Ablon.

"We see more and more indications that what we did was right. There is no service we cannot and do not perform," Mr. Ablon said.

Net sales and service revenue from continuing operations for the first nine months of 1987 were $636.6 million, up from $616 million in the comparable period of 1986. Operating services revenue was up significantly, primarily reflecting increased revenue in

Continued on page 56

Videos go corporate

By Marcia Parker

NEW YORK — Before they know it, institutional investors scouting for investment opportunities and corporate chieftains looking for deep pockets may not have to leave home to find each other.

That's because corporate fund raising has gone video.

"Video is finding its way into every part of our lives — including using videos to raise money from institutional investors. It's a growing part of our business," said David Dreyfuss, president of Broad Street Productions, New York.

Broad Street, which started out as a small in-house Drexel Burnham Lambert Inc. group a few years ago, has grown so much it has been spun off as a separate subsidiary.

Like its many competitors in a very hot field, Broad Street has done videos for a host of companies looking to raise money, including many Drexel clients.

Co-stars of the video Broad Street produced recently for Triangle Industries, the big New York-based packaging firm that was raising $500 million to repay debt and provide working capital, were Nelson Peltz, chief executive officer; Peter May, chief operating officer; and Frederick McCarthy, managing director of Drexel's corporate finance department. The presentation was beamed to 12 cities by satellite from New York, where it went on air before an audience of institutional investors.

"Video has gone from a luxury to being a competitive necessity," Mr. Dreyfuss added.

It's not that road shows, a time-honored tradition that took corporate managements on tour to hawk their wares to investors with money to burn, have gone completely out of style. Many corporate executives prefer to meet investors in person.

"Some CEOs love videos and are gung ho," Mr. Dreyfuss said. "Others have to be convinced."

Broad Street Productions is one company that struck gold in producing videos for corporate executives eager to seek institutional investors.

For video lovers, a high-tech version of the road show, complete with smashing special effects, is definitely in.

Corporations increasingly are having private production companies or their investment banker's in-house production team sell the companies via video.

Continued on page 56

Fuel . . .

Continued from page 55

"We've been an active player for over five years," said Mr. Schaefer. "We have invested $300 million to $400 million, primarily equity financing, in about 25 projects valued at over $1.5 billion. We're very bullish. In the past two weeks we've closed on a hydroplant in Pennsylvania and a waste-to-energy plant in the Northwest."

Ford Motor Credit has approved equity investments totaling more than $135 million in three projects and there are several other proposals being considered, according to Robert Chambers, manager of financial planning at FMCC.

"We hope to invest a lot more over the years. There's more product out there. Demand is driving facilities across the country. It fills an essential need for the community and the returns are satisfactory," said David Barrett, investment officer, municipal financing at FMCC.

Unregulated subsidiaries being set up to run these plants by major utility companies are emerging equity players. Most of those subsidiaries are limited to 50% ownership, and they look to institutional partners to provide the rest of the financing. In the meantime, GECC and FMCC executives say they are considering providing debt financing in conjunction with the equity financing they provide.

"We are thinking about it. We have proposals in hand," Mr. Schaefer said.

The major insurance companies that have provided mainly debt financing in the past are Prudential Insurance Co. of America, Newark, N.J.; John Hancock Mutual Life Insurance Co., Boston; and Aetna.

"We've invested about $300 million in debt and equity in over $1 billion worth of projects and we'll do more. We have invested predominantly our own money and some money from a small account that we manage of pension funds. These are longer-term investments and appropriate for them," said Herbert Magid, senior investment officer at John Hancock.

Traditionally, the builders of renewable energy industry have relied on tax-exempt debt, which the institutions purchased. But that is changing. Under the new tax law, tax-exempt municipal bonds lost some of their allure, but institutional investors say they are willing to forgo those benefits.

One of the first projects to make the break with traditional financing was Wheelabrator Technologies Inc., Hampton, N.H., which recently financed a garbage-burning plant with taxable paper in a $180 million sale-leaseback transaction (*Pensions & Investment Age*, Oct. 19). FMCC made a $63 million equity contribution, while 11 U.S. insurance companies led by Hancock provided the debt capital.

"The tax treatment doesn't make the project," Mr. Levy said, adding Aetna has invested millions in more than 12 projects. "We just finished our first taxable private placement financing for a county prison cogeneration plant. We'll be seeing more taxable financing." ■

For reprints of articles contact:
Ulla Rodriguez
Pensions & Investment Age
220 E. 42nd St.
New York, N.Y. 10017
(212) 210-0124

Municipal waste-to-energy market: 1985-1996

($ mils.)

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Total equipment	328.5	134.2	403.3	650.9	1,654.6	1,833.1	482.1	505.9	499.8	390.4	444.4	385.8
Total services	302.4	117.7	387.6	613	1,488.3	1,609.7	444.4	462.5	468.8	355.6	415.8	355
Building, vehicles, site & spares	149.1	54.1	177.1	320.1	831.1	906.2	229.5	243.6	248.4	180	218.8	183.2
Total capital expenditures	780	306	968	1,584	3,974	4,349	1,156	1,212	1,217	926	1,079.8	924
Financing	257.8	94.4	314.7	522.5	1,347.2	1,471.9	384.7	403.7	406.4	308.7	306.7	308
Total market	1,037.8	400.4	1,282.7	2,106.5	5,321.2	5,820.9	1,540.7	1,615.7	1,623.4	1,234.7	1,385.7	1,232

Source: Resource Marketing International

Many Investment Managers Try to Keep Pace with the Market...

PERFORMANCE JAN. 1 - OCT. 19, 1987

DOHMEN CAPITAL MANAGEMENT
UP* 21%

S&P 500
DOWN 4.9%

Our Clients Prefer Making Money!

JAN. FEB. MAR. APR. MAY JUN. JUL. AUG. OCT.

*Dohmen Capital Management is still up 21% this year even after the crash!

Inquiries from investors with $500,000 or more are welcome.

*Performance from January 1, 1987 to October 19, 1987. Past performance is no guarantee of future results. Performance figures include transaction fees, reinvestment of dividends, and earnings, but before advisory fees and taxes. Results relate only to a representative account chosen for its eligibility to accept all investments; there were no additions or deletions of capital in the account over the time period. Other managed accounts have outperformed and underperformed this account depending upon the date of entry to the program. Mutual funds reduce risk via diversification, however, losses are possible.

Please send me information concerning the DOHMEN CAPITAL MANAGEMENT PROGRAM

WELLINGTON CAPITAL, INC.
733 Bishop Street, #1800, Honolulu, Hawaii 96813 (808)524-8063

Name: _____
Address: _____
City: _____ State: _____ Zip: _____
Phone: _____

WELLINGTON
800-992-9989

Rate-sensitive stocks pay off

By Jacqueline Dutton

Institutions were invested heavily in interest-rate sensitive stocks the week before the market crash, a move that proved to be defensive as those sectors were the most buoyant in a sinking market.

The 10 industries in which the institutions were most heavily invested were electric utilities, telephone companies, international oils, major regional banks, domestic integrated oils, food processors, drug companies, retail companies, chemical companies, and computer and office equipment companies.

The institutions were invested in the best-performing industries — seven of the 10 were in the top half of all industries in terms of investment returns for the six days of the market plunge from the opening of the market Oct. 16 through the close Oct. 23.

However, only four of the 10 industries had returns greater than the Standard & Poor's 500 stock index for the period.

According to data provided by CDA Investment Technologies Inc., Silver Spring, Md., institutional investors, including the nation's major pension fund managers, were concentrated in resilient electric utility and telephone company stocks Oct. 15, just before the market's record 508-point drop, although the two sectors were market laggards throughout 1987. Of the 84 industries ranked by CDA, electric utilities suffered the least damage, an average decline of −5.7% Oct. 15 to 23. That compares with −16.8% for the S&P 500 index and −32.7% for aluminum companies, the hardest hit industry.

Rounding off the top five sectors in terms of returns were: breweries, −7%; soaps, −12.9%; natural gas distribution, −12.9%; and miscellaneous financial, −14.7%.

Telephone stocks did relatively well, ranking ninth overall and outperforming the S&P 500 with a one-week return of −16.1%.

"It was a classic flight to quality," said Geoff Johnson, a telecommunications analyst for Argus Research Corp., New York. "Investors were flying into defensive issues such as electric utilities and telephones."

The strongest utility stocks the week of the crash managed to eke out returns on the upside. **Central Maine Power Co.**, **Nevada Power Co.** and **Central Vermont Public Service Co.** recorded gains of 2.7%, 1.3% and 1.1%, respectively. **Southern Co.** and **Sierra Pacific Resources** also held up well; they returned 0.6% and zero respectively.

The best performers among telephone stocks for the week of the crash were: **Bell Canada Enterprises Inc.**, −1.3%; **Bell Atlantic Corp.**, −2.9%; **NYNEX Corp.**, −5.6%; **Rochester Telephone Corp.**, −5.9%; and **Southwestern Bell Corp.**, −6.5%.

Pension funds were also invested heavily in other sectors before the plunge: international and domestic oil, major regional banks, foods, drugs, general retail chain, chemicals, and computers.

All three sectors outperformed the S&P 500. The integrated international oil and major regional bank industries ranked 10th and 11th, respectively, with prices declining, on average, −16.2% and −16.7%.

Among the strongest international oil stocks during crash week were: **Exxon Corp.**, −4%; **Global Natural Resources**, −8.5%; **TransCanada PipeLines Ltd.**, −8.5%; **Mobil Corp.**, −9.6%; and **Chieftain Development Co. Ltd.**, −10%.

Frank Knuettel, a vice president and oil industry analyst at Prudential-Bache Securities, New York, said oil stocks — international and domestic — fell in line with the market during the first part of the slump as over longer periods, oil stocks have a stronger correlation with market movements than changes in oil prices.

But because oil price fluctuations account for some movement in oil stock prices in the short term — a period of days, for instance — he said the oil stocks finished the week strong in reaction to a rise in oil prices.

Joan Goodman, a bank analyst in the Chicago office of New York-based Pershing & Co., said major regional banks such as **Barnett Banks of Florida** better endured the crash than national banks because, for one thing, they were not saddled with South American debt.

She said in her opinion, Barnett Banks is the strongest stock among the lot. Other enduring stocks during the slump were **La Jolla Bancorp**, **Landmark Bancshares Corp.**, **Marine Midland Banks Inc.** and **Horizon Bancorp**.

According to CDA, losses among stocks in domestic integrated oil, food and drug companies were relatively low compared with other industries, but lagged the S&P 500. With returns of −17.2% for domestic oil, −18.8% for food, and −20.3% for drug stocks, the sectors were ranked 13th, 19th and 29th respectively among the 84 industries.

Sun Co. was the champion among domestic oil stocks for the week, returning a positive 0.5%. Other strong oil stocks were: **Energy Development Partners Ltd.**, −2.9%; **National Gas & Oil Co.**, −4%; **Union Exploration Partners Ltd.**, −7%; and **Permian Basin Royalty Trust**, −7.7%.

The best-performing food stocks for the period were: **Sara Lee Corp.**, −1%; **Kellogg Co.**, −3.8%; **Quaker Oats Co.**, −4.6%; **H.J. Heinz Co.**, −7.1%; **William Wrigley Jr. Co.**, −7.1%; and **Campbell Soup Co.**, −8%.

Among drug stocks, the top five performers suffered greater losses. The leaders in this industry were: **Smithkline Beckman Corp.**, −5.1%; **Schering Plough Corp.**, −8.6%; **Marion Labs Inc.**, −10.3%; **Novo Industries**, −13.4%; **Merck & Co. Inc.**, −14.3%, and **Pfizer Inc.**, −14.3%.

While many of the industries in which pension funds concentrated stock investments the week of the crash were among the least damaged, the retail chain, chemical and computer company stocks were among the biggest losers, ranking 45th, 63rd, and 75th, respectively, out of the 84 industries. Retail chains returned −22.9% for the week; chemical concerns lost −25.6%; and computer companies returned −27.8%.

Some stocks in those underdog sectors, however, did comparatively well. According to CDA, the top five performers in the general retail chain industry were: **Brad Ragan Inc.**, −2.1%; **Kay Corp.**, −9.3%; **Jewelcor Inc.**, −12.5%; **Pep Boys — Manny, Moe & Jack**, −12.7%; and **Wienar Enterprises Inc.**, −14.4%.

Publicker Industries Inc. was the leader among the chemical stocks, returning −7.7%. It was followed by **Essex Chemical Corp.**, −10.1%, **Chariot Group Inc.**, −10.5%; **Hercules Inc.**, −12.8%; and **Stepan Chemical Co.**, −14.8%.

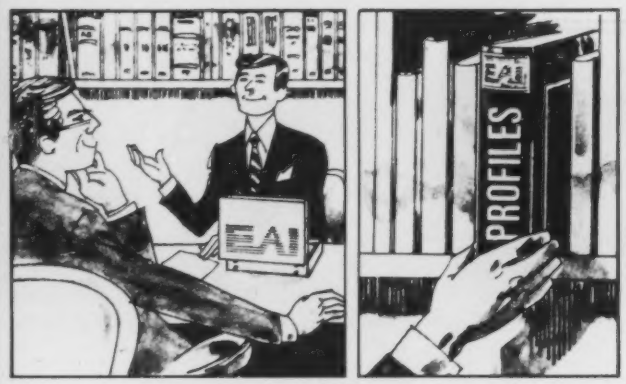
The sturdiest computer stocks the week of the crash were **Dataram Corp.**, −6.7%; **Compugraphic Corp.**, −10%; **Eldon Industries Inc.**, −11.8%; **IBM Corp.**, −13.8%; and **General Datacomm Industries Inc.**, −13.9%. ■

Top performing stocks by industry

Industry	Stock	Stock performance 10/16 - 10/23
Banks - major regional	Landmark Bancshares	−4.0%
	LaJolla Bancorp.	−6.7
Chemicals	Publicker Industries	−7.7
	Essex Chemical	−10.1
Computers	Dataram	−6.7
	Compugraphic	−10.0
Drugs	Smithkline Beckman	−5.1
	Schering Plough	−8.6
Electric power	Central Maine Power	2.7
	Nevada Power	1.3
Foods	Sara Lee	−1.0
	Kellogg	−3.8
Oil - integrated domestic	Sun Co.	0.5
	Energy Develop. Partners	−2.9
Oil - integrated int'l	Exxon	−4.0
	Global Natural Resources	−8.5
Retail - general merchandise chains	Brad Ragan	−2.1
	Kay Corp.	−9.3
Telephone	Bell Canada Enterprises	−1.3
	Bell Atlantic	−2.9

Source: CDA Investment Technologies Inc.

The Next Best Thing To An EAI Consultant In Your Office...



...Is An EAI PROFILES On Your Shelf.

As a fund sponsor, you need precise, objective information on a large universe of money managers and the complex services they offer. Now the same, reliable information that EAI, leading consultant to fund sponsors, has developed is available to you in five separate PROFILES publications.

So, if you have funds invested in U.S. stocks and bonds, GICs, international capital markets, or real estate, look into PROFILES today and take advantage of the best investment management information available anywhere.

PROFILES PIA 11/30/87

I'd like to see for myself. Send me full information and a free sample profile from:

☐ INVESTMENT MANAGER PROFILES
☐ SMALL EQUITY MANAGER PROFILES
☐ REAL ESTATE PROFILES
☐ INTERNATIONAL MANAGER PROFILES
☐ INSURANCE CONTRACT PROFILES

Name _____ Phone _____
Company _____
Address _____
City _____ State _____ Zip _____

EAI EVALUATION ASSOCIATES, INC.
200 Connecticut Avenue, Norwalk, CT 06854 (203) 855-2200

Learn how this regional freight carrier switched master trustees...

And ended up on the fast track to simplified information management and reporting.

This carrier's story is one from a series of "case histories" explaining how our state-of-the-art master trust/master custody capabilities—including flexible reporting, securities lending, performance comparison, and global custody—were individualized to meet client needs.

Write for your free copies today: James F. McHale, Senior Vice President, First Pennsylvania Bank, Packard Building, Philadelphia, PA 19101. Or call (215) 786-7946 and you'll be on the master trust mainline.

First Pennsylvania Bank
Trust and Investment Services Group

©First Pennsylvania Bank, N.A. Member FDIC FPB-112

12/14/87 c2710-2

Pensions & Investment Age

© Entire contents copyright 1987 by Crain Communications Inc. All rights reserved.

The newspaper of corporate and institutional investing • $4.00 an issue • $80 a year • December 14, 1987

Takeover bill clears hurdle

By Nicky Robertshaw

WILMINGTON, Del. — A draft bill that virtually would eliminate hostile takeovers of nearly half of the companies on the New York Stock Exchange could become law early next year.

The draft, which a unit of the Delaware Bar Association agreed Friday to continue pushing, would not allow a potential acquirer to gain control of a Delaware-incorporated target company for three years unless approved by the board of directors — with certain exceptions.

The proposal still faces internal bar association hurdles and possible redrafting before it is approved as hoped by year's end. Whatever the bar association finally produces almost certainly will be passed into law by the Delaware General Assembly when it reconvenes next month.

The proposal had been circulated within the corporate community and among bar association members. It is similar to, but less severe than, laws in New York and eight other states, and is being pushed by Gov. Michael N. Castle and other state officials eager to protect Delaware companies from takeovers, lest they move their incorporations to states with more favorable protections.

Earlier this year, the bar association unit — the Council of the Corporate Law Section — rejected a statute similar to the Indiana law that was upheld by the Supreme Court in April. That proposal never made it to the Delaware General Assembly.

Of the 27 states that have some sort of anti-takeover statutes, 14 have laws along the lines of Indiana's, while nine have laws similar to the most recent Delaware proposal, according to the Investor Responsibility Research Center, Washington.

Under the proposal, a Delaware corporation could not merge with an "interested" shareholder (that is, a potential acquirer who had received board permission to acquire 10% of the company's stock) for three years after that shareholder passed the 10% mark, unless: The board approved the takeover; the would-be acquirer got at least 90% of the stock as a result of the transaction that moved the shareholder to the 10% mark; or the shareholder already amassed 90% and received the support of a majority of the remaining 10% of outstanding shares.

Because of these exceptions, the Delaware bill is seen as less severe than laws in New York and eight other states.

Still, many pension fund executives and investor groups have lashed out at the proposal, urging the Council of the Corporate Law Section to vote it down on the grounds it ultimately would hurt stock values and inappropriately reduce the shareholders' role in corporate governance.

"To allow an inefficient or incompetent management to entrench itself, in the guise of 'shareholder interests,' will serve to depress stock values and undermine the integrity of our economy," said Dale M. Hanson, executive officer of the more than $43 billion California Public Employees' Retirement System, Sacramento, in a Dec. 3 letter to the Delaware Bar Association council.

"In our view, the draft . . . may significantly harm the value of shareholders' investments in Delaware corporations," he added, noting the California system, rather than being allied with would-be acquirers, is concerned with long-term

Continued on page 41

Inside:

INTERNATIONAL: Tradition, an important component of the British culture, is being broken by some U.K. pension funds now looking to specialized money management firms to replace balanced managers — Page 31.

CASH MANAGEMENT: Radical changes in wire transfer agreements between corporations and their banks could become reality because of proposed revisions to the Uniform Commercial Code — Page 19.

CORPORATE FINANCE: Morrison Knudsen Corp., a major engineering and construction company, is digging its way back to profitability after restructuring resulted in a hefty third-quarter net loss of $68.2 million — Page 25.

Indiana zaps firms

Corporate taxpayers lose, state gains, float

By Barry B. Burr

INDIANAPOLIS — Indiana soon will require large corporate taxpayers to remit state tax payments electronically, a move that will cost the companies a total of about $1.4 million each year.

The new law, effective with tax payments accruing after Jan. 1, makes Indiana the first state to eliminate checks for corporate tax payments. An estimated 2,000 to 7,500 companies with operations in Indiana will make their tax payments through the automated clearinghouse.

The corporations' loss will be Indiana's gain: The state's investment income will increase an estimated $1.4 million because funds will be available sooner.

"The effect is a losing proposition" for corporations, said Thomas K. Connery, supervisor-disbursements at Amoco Corp., Chicago, which has a major oil refinery in Whiting, Ind., among other operations in the state.

Cash management

"The purpose of the ACH is to get the money faster," said Randolph G. Holt, business administrator, Indiana Department of Revenue. "The real benefit (to the state) is the gain in investment income."

Withholding, sales, corporate income and motor vehicle fuel taxes all will be subject to the electronic payment program. The state collects some $4 billion annually in such taxes, Mr. Holt said, of which about half will come through the ACH collection.

The state Revenue Department in November began notifying large corporate taxpayers — generally those paying more than $10,000 a month in taxes — about the ACH payment requirement.

(Small corporate taxpayers will continue to remit some $2 billion in payments by check to one of the state's three lockbox banks.)

The notification process, still under way, includes bank au-

Continued on page 41

Front running assailed

By Chuck Paustian

Institutional investors are taking aim at front running, contending it threatens the integrity of the auction-market process and might force them to explore other means of executing trades.

Institutional traders and other investment professionals acknowledge front running, in which a broker with advance knowledge of a trade takes a position in order to benefit from the expected price movement, probably is not as widespread as commonly thought.

Yet a recent survey found about half of the institutional traders responding had experienced front running and slightly more than 40% of the brokers considered it to be a problem.

Front running
Step One:
Institutional trader places a block-trade order with broker.
Step Two:
Broker informs a third party of the pending trade.
Step Three:
Third party trades ahead of the pending block trade.
Step Four:
Broker processes block trade.

The survey by Trader Forum showed more than one-third of the traders had experienced brokers exchanging information, which was used for trades that reached the floor of an exchange ahead of the original order.

Investment professionals, meanwhile, are warning brokerage firms to address the situation or suffer the economic consequences.

Both sides "have to sit down and, if there is a problem, recognize the problem . . . then deal with it," said John J. Morton,

Continued on page 41

Allegis shifts $1.4 billion

By Chuck Paustian

CHICAGO — Completing a two-year, round-trip passage, Allegis Corp.'s $1.6 billion defined benefit plans have re-entered the capital markets with 11 new investment managers, following an earlier move to cash equivalents from multiple managers in anticipation of plan terminations.

David J. Dykstra, director-pension assets for the Chicago-based parent company of United Airlines, oversaw the most recent hires, which allocated about $1.4 billion among seven equity and four fixed-income managers.

"I'm very happy with the firms we've selected," said Mr. Dykstra. He added the fund's consultant, Frank Russell Co., Tacoma, Wash., provided information on various firms, but the review and selection process was conducted internally.

Mr. Dykstra declined further comment on the restructuring.

The equity managers hired were Cambiar Investors Inc., Englewood, Colo.; First Manhattan Capital Management, McCowan Associates Inc. and Weiss, Peck & Greer, all in New York; Hotchkis and Wiley, Los Angeles; Lincoln Capital Management Co., Chicago; and Sit Investment Associates Inc., Minneapolis.

The fixed-income managers hired were Sanford C. Bernstein & Co. Inc., W.R. Huff Asset Management and J.P. Morgan Investment Management Inc., all in New York, and Pacific Investment Management Co., Newport Beach, Calif.

The amounts allocated to each of the new firms were not available. According to data provided by Allegis, the defined benefit plans had $1.8 billion in assets as of Sept. 30, of which $792 million was in equities and $630 million was in fixed income.

As a result of the markets' turmoil during October, total defined benefit assets declined 11.1% to $1.6 billion as of Nov. 1.

The assets given to the managers apparently came from a $700 million stock-index fund run by Wells Fargo Investment Advisors, San Francisco, and a $700 million in-house fixed-income portfolio. According to the Allegis data as of Sept. 30, Wells Fargo no longer was listed among the fund's managers, the index fund had been reduced to $300 million and the internal bond portfolio had been eliminated.

The fund's three real estate equity managers — LaSalle Advisors Ltd., Chicago; PMRealty Advisors, Newport Beach, Calif.; and RREEF, San Francisco — apparently were not affected. The three firms run a total of $200 million for Allegis.

Hiring the new managers completes a major task Mr. Dykstra faced when he first joined Allegis in September 1986. Mr. Dykstra replaced Robert J. Gillette, who left to join Russell as vice president-client executive and senior investment consultant.

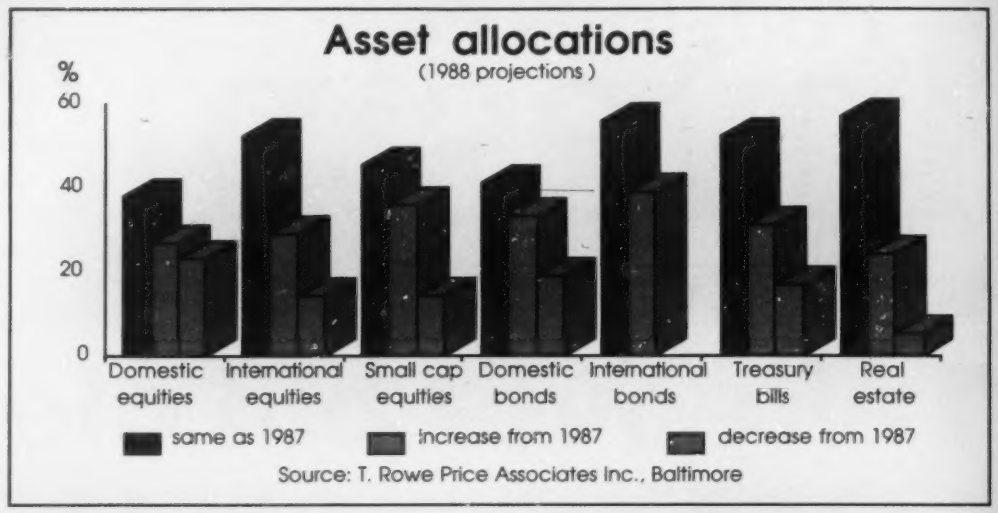
Allegis, formerly UAL Inc., had released the vast majority of its previous stable of 20 managers and moved the bulk of the pension assets into short-term instruments during the second half of 1985.

Allegis' 1986 annual report shows the pension fund was 86% in cash equivalents and short-term instruments, 3% in common stock and 11% in real estate and other investments.

Allegis has come full circle, putting $1.4 billion in pension assets back into the markets.

The changes were made in anticipation of terminating five plans to recoup about $962 million. At the time the terminations were announced, the expected reversion was considered by some

Continued on page 34



Source: T. Rowe Price Associates Inc., Baltimore

Execs conflict on crash effect

By Marlene Givant

Senior corporate executives are pushing their pension funds toward more conservative investments because they fear further market volatility, but pension executives are more optimistic.

A comparison of two post-crash analyses underscores the conflict.

A study by Salomon Brothers Inc., New York, says 1987's stock market crash highlights the vulnerability of pension surpluses, which will further catapult the pension fund to the forefront of corporate planning and will lead many funds to more conservative asset allocation postures.

But the analysis by T. Rowe Price Associates Inc., Baltimore, says pension officials are cautiously optimistic about the market and willing to pursue investments from small-capitalization equities to foreign bonds.

Robert D. Arnott, vice president of Salomon and a co-author of the firm's survey of large corporations, said the reports differed because Salomon focused more on views of senior corporate officials worried about their fiduciary responsibilities while T. Rowe Price surveyed pension executives, who balance fiduciary duties and long-term investment planning.

"There is a fascinating dichotomy between the views of pension executives and top management. More typically, top management's fiduciary concerns have a greater impact. We're seeing a pretty widespread shift to conservatism" by top executives, he said.

Pension executives, on the other hand, "have a wide range of views. Where there is a profound shift to conservatism, it is in some instances imposed on pension executives," Mr. Arnott said.

Knee-jerk reactions to fear about the market could have bleak consequences. "This shift has us somewhat uneasy," he said. "It has the risk of becoming a self-fulfilling prophecy."

Views on asset allocation range widely regardless of a plan's funded status; the majority of executives are sitting back and studying the situation, according to Mr. Arnott.

But a surprisingly large minority is taking action, often shifting to conservatism. One radical approach is the reported sale of all stocks held by the pension funds of Rockwell International Corp., Pittsburgh, and Primark Corp., Detroit (*Pensions & Investment Age*, Nov. 30). More typically, funds become defensive by moving 10% to 20% to fixed income from equities.

The Salomon report noted the conservative move began before the crash, independent of market outlook. The report suggested funds evaluate their risk tolerance

Continued on page 38

Wall Street earnings to dive

By Marcia Parker

Although the investment banking industry escaped wholesale downgrades, firms must tighten their belts or face more ratings pressure; story on page 16. E.F. Hutton Group's asset management division will be left intact after the company merges with Shearson Lehman Brothers in January; story on page 17.

NEW YORK — Wall Street investment banks, already reeling from the stock market crash and industrywide retrenching, will see earnings plunge 35% to 40% by 1991 because of eroding industry economics and the lackluster performance of interest-rate sensitive businesses that once contributed mightily to the bottom line.

"The inherent cyclicality of the investment banking industry, dormant throughout most of the 1980s, is re-emerging," according to an extensive report by Michael Goldstein, who follows the investment banking industry for Sanford C. Bernstein & Co. Inc., a New York investment research and management firm.

"An environment of generally rising interest rates and declining

Continued on page 34

The *P&I Age* monthly indexes track the changes in the Standard & Poor's 500, Frank Russell Co.'s Russell 3000 stock index, the Ryan Index of fixed-income securities, the Shearson Lehman Government/Corporate bond index and the Salomon Brothers Broad Investment Grade bond index.

P&I Age November indexes

	Latest mo.	Year to-date	Trailing 12 mos.
S&P 500	−8.25	−2.19	−4.69
Russell 3000	−29.84	−5.08	−7.65
Ryan Index	0.15	−0.75	−0.71
Shearson Lehman Gov't./Corp.	0.63	0.92	1.29
Salomon BIG	0.83	1.36	1.70

Source: Rogers, Casey and Barksdale Inc., and Frank Russell

The Salomon BIG data in the Nov. 16 issue were incorrect. The correct figures are: latest month, 3.66; year to date, 0.53; and trailing 12 months, 2.39.

Highlights

CASH MANAGEMENT
Rate jitters prompt firm to hedge debt 19
Cash accounts 19

CORPORATE FINANCE
Borden MLP offering a hit 25
Transamerica coming into focus 25
Securitized note to help ESOP financing 25

INTERNATIONAL
Divested index tops returns of EAFE 31
Hedging program launched 32

REAL ESTATE
Fund's strategy is more specific 11
Heitman fund scores well, avoids pitfalls 11
British Rail eyes U.S. 11

GENERAL NEWS
Market crash a boon for securities lending 4
Massachusetts retirement panel chairman out . 6

DEPARTMENTS
Late news 42
Letters 8
Market beat 24
Money movers 30
Opinion 8
People 29
Washington notebook 15

Vol. 15, No. 26 — Pensions & Investment Age (ISSN 0273-5466) is published bi-weekly with a special edition in May, at 740 Rush St., Chicago, Ill. 60611. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207. Copyright 1987.